Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/13**

Paper 1 Multiple Choice **October/November 2021**

1 hour

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

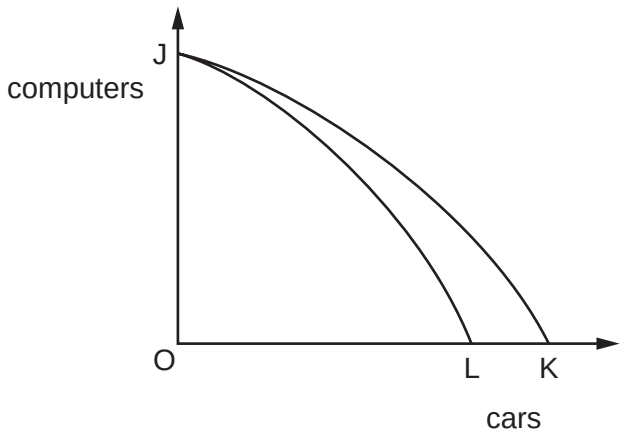
- There are **thirty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

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1 In the diagram JK is the initial production possibility curve for an economy producing computers and cars.



What could cause the curve to shift to JL?

A a fall in output per worker in the car industry

B a fall in the level of competition in the car industry

C a rise in the potential workforce of the economy

D a rise in the price of cars

2 Consumers in country X buy some goods and services from private sector firms. Other goods and services are provided by the state.

What is this type of economy?

A free market economy

B joint economy

C mixed economy

D planned economy

3 In 2017 the Bank of England introduced a new version of the £1 coin as there were concerns that large quantities of illegal £1 coins had been put into circulation.

Which characteristic of money did the illegal £1 coins threaten?

A acceptability

B divisibility

C durability

D portability

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4 Which statement is a positive statement?

A Low inflation is preferable to low unemployment as a government aim.

B Low inflation will provide a more stable macro economy.

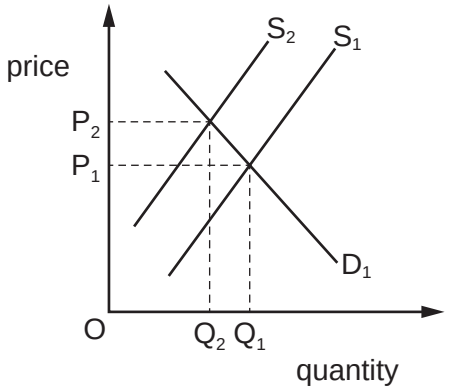
C The government must intervene in all markets to improve resource allocation.

D The government should cut income tax so living standards can improve.

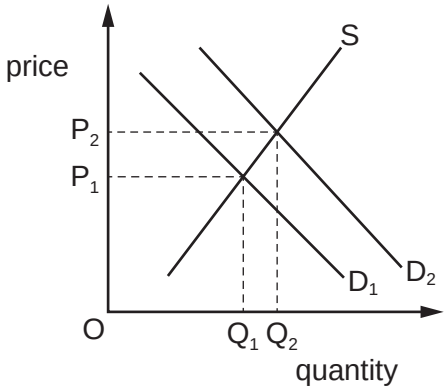
5 What could cause an increase in consumer surplus in the market for a good?

	an increase in demand for the good	an increase in supply of the good
A	no	no
B	no	yes
C	yes	no
D	yes	yes

6 The diagrams show the effect of a change in the market for good X on the market for good Y.



change in the market for good X



effect on the market for good Y

What can be concluded from the diagrams?

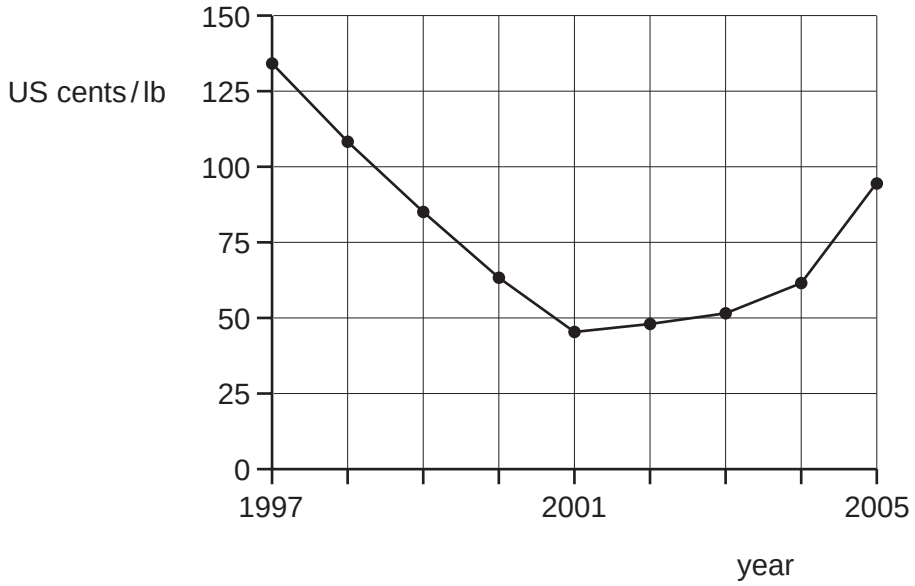
A X and Y are complements.

B X and Y are in joint supply.

C X and Y are substitutes.

D Y is a derived demand from X.

7 The diagram shows the average world price of coffee in US cents per pound weight (lb) between 1997 and 2005.



Which event is consistent with the price behaviour shown in the specified time period?

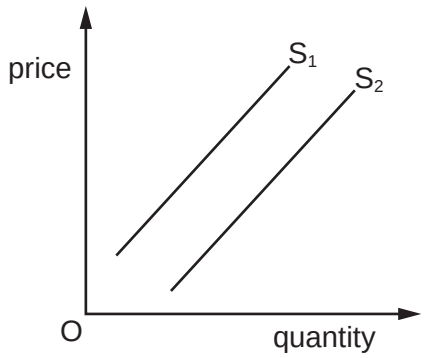
A a continuous rise in the price of tea between 1997 and 2001

B the entry to the market of new producers of coffee between 1997 and 2001

C a series of good coffee harvests between 2001 and 2005

D increasing health worries about drinking coffee between 2001 and 2005

8 The diagram shows a shift in the supply curve for a product from S_1 to S_2.



What could cause this shift in the supply curve?

A an increase in the cost of producing the product

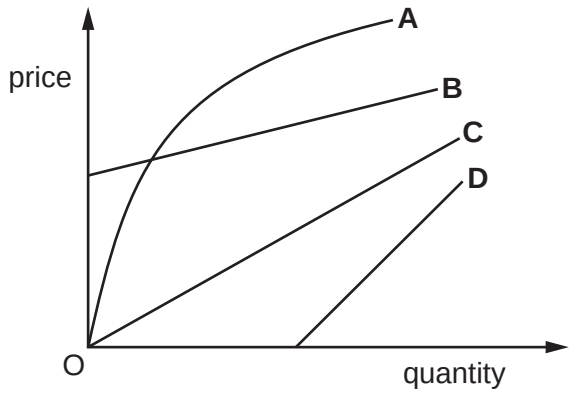
B an increase in the income of consumers of the product

C an increase in the demand for a product that is jointly supplied

D an increase in the price of the product

9 The diagram shows four supply curves.

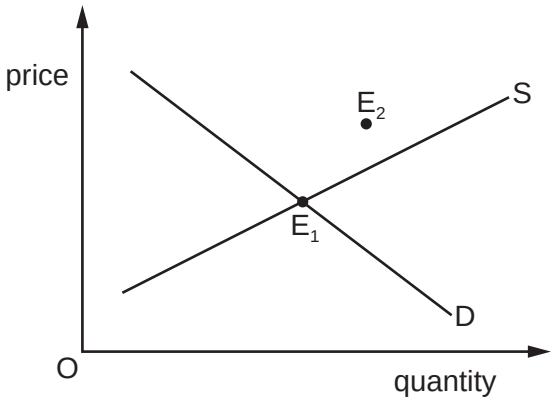
For which curve is the price elasticity of supply constant?



10 What would be the price elasticity of demand for smartphones if their price fell from US$100 to US$90 and the quantity demanded rose from 200 to 250?

A 0.2 **B** 0.4 **C** 2.5 **D** 5.0

11 The diagram shows the demand for and supply of a normal good. E_1 is the initial equilibrium position.



Which changes could result in a new equilibrium E_2?

A a decrease in both the demand for and the supply of the good

B an increase in both the demand for and the supply of the good

C an increase in consumer incomes, and a decrease in the supply of the good

D an increase in the price of a complement to the good, and an increase in the supply of the good

12 The table shows the market demand and market supply for kiwifruit over a year.

At a market price of $3 per kg there is disequilibrium in the market.

price of kiwifruit ($ per kg)	total market demand (thousand tonnes)	total market supply (thousand tonnes)
1	220	120
2	190	130
3	160	140
4	130	150
5	100	160

Which action would the government have to take to achieve market equilibrium at a price of $3 per kg?

A impose an indirect tax of $2 per kg on kiwifruit

B purchase the entire supply at $3 per kg and sell at $2 per kg

C set a maximum price of $3 per kg

D subsidise kiwifruit production by $2 per kg

13 The cross-elasticity of demand of good S with respect to the price of good P is +1.5.
The cross-elasticity of demand of good S with respect to the price of good R is –1.5.
The cross-elasticity of demand of good P with respect to the price of good R is –1.5.

What can be concluded about goods P, R and S?

A S and P are complements; P and R are substitutes.

B S and P are complements; R is an inferior good.

C S and P are substitutes; P and R are complements.

D S and P are substitutes; R is an inferior good.

14 A government wishes to impose a tax on a good so that the consumer pays most of the tax increase.

Which type of elasticity would best achieve this aim?

A high price elasticity of supply

B low price elasticity of supply

C unitary price elasticity of supply

D perfectly inelastic price elasticity of supply

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15 Why does the production of public goods have to be financed by the government?

A One person's consumption of a public good means it is not available for anyone else.

B People are able to consume public goods without paying for them.

C Private sector firms will charge a price significantly above cost for public goods.

D The cost of producing public goods is higher in the private sector.

16 Which payment is a transfer payment?

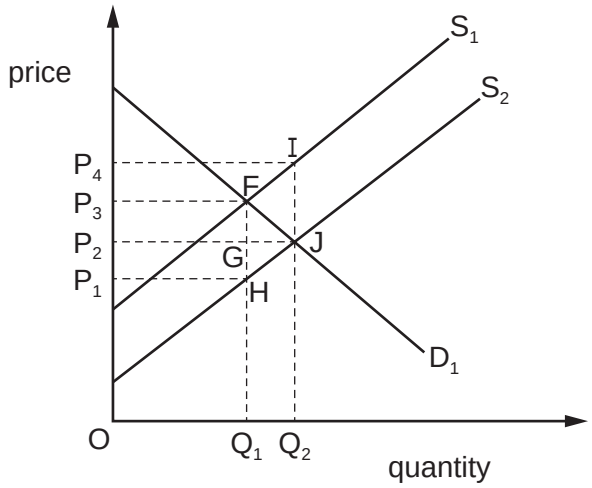
A households' payments of indirect taxes

B government pension payments

C payments between firms for the supply of raw materials

D payment of salaries

17 The diagram shows the effects of a subsidy in the market for wheat.



Which area shows the total government spending on the subsidy?

A OP_2JQ_2 **B** OP_3FQ_1 **C** P_3FJP_2 **D** P_2P_4IJ

18 A government wishes to reduce the consumption of alcohol.

Which policy will it use to achieve this aim by fixing the price of alcohol?

A fix maximum price above market price

B fix maximum price below market price

C fix minimum price above market price

D fix minimum price below market price

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19 According to the theory of comparative advantage, what makes trade beneficial between two countries?

A Each country has different goods to sell and different tastes.

B Each country has different opportunity costs of production.

C One country has the absolute advantage in producing both goods.

D The prices of goods are different between each country.

20 The demand for a country's exports is price-elastic. Its government introduces export subsidies.

What will be the effect on its balance of trade and on its terms of trade?

	balance of trade	terms of trade
A	increase	increase
B	increase	decrease
C	decrease	increase
D	decrease	decrease

21 The table shows the average changes in the prices and volumes of exports and imports.

Which combination of changes would result in an increase in the terms of trade?

	export prices	export volumes	import prices	import volumes
A	–10%	+15%	–15%	+10%
B	–3%	+6%	–2%	+1%
C	+5%	–5%	+6%	–1%
D	+10%	–5%	+12%	–6%

22 A government decides to increase a quota on an imported good.

What is likely to happen?

A The demand for the good will fall.

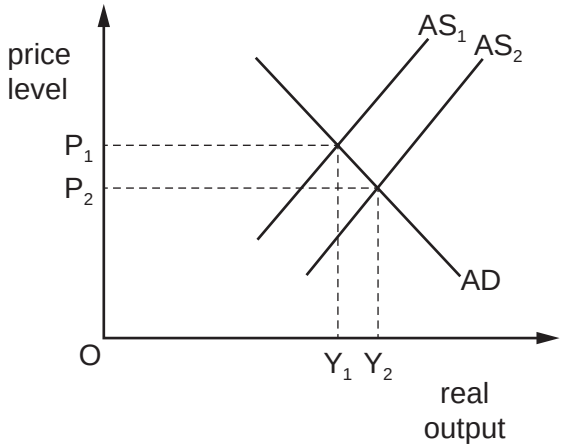
B The good will become more expensive.

C The government's revenue will decline.

D There will be more of the good imported.

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23 The diagram shows aggregate demand (AD) and aggregate supply (AS) for an economy.



What is most likely to cause the shift from AS_1 to AS_2?

A a decrease in the exchange rate

B a decrease in the price level

C a fall in immigration

D a fall in the average level of wages

24 Country X places a tariff of 20% on steel products imported from country Y. Country Y retaliates with a 20% tariff on computers imported from country X.

What is a certain economic consequence of these actions?

A The balance of payments of country X and country Y will remain unchanged.

B The exchange rate value on which trade between the two countries is based will be maintained.

C The profits and employment of domestic firms in both countries will be preserved.

D The volume of bilateral trade between country X and country Y will be reduced.

25 A country has a floating exchange rate.

An increase in which variable within that country can cause its exchange rate to appreciate?

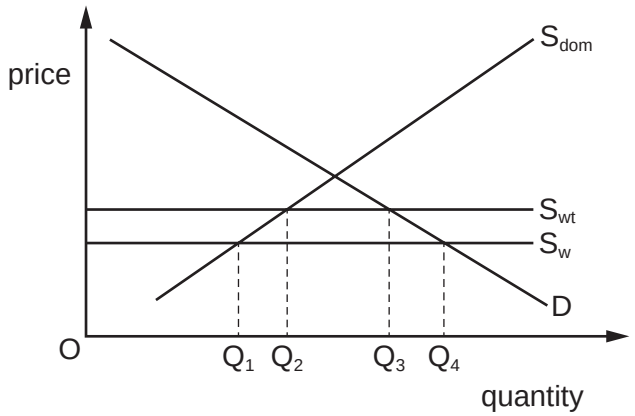
A employment levels

B income levels

C interest rates

D price levels

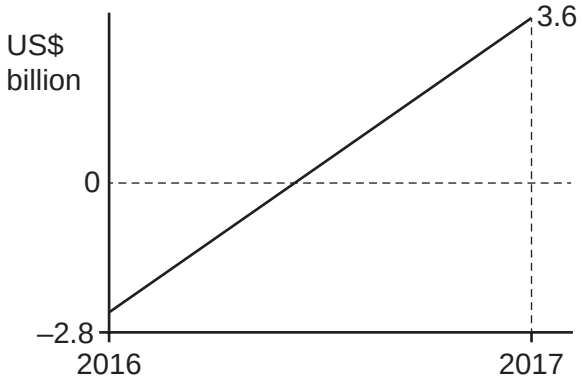
26 The diagram shows the effects of the imposition of a tariff on an internationally-traded good. S_{dom} is the supply and D the demand in country R. S_w is the world supply curve of the product and S_{wt} is the world supply curve after the imposition of a tariff by country R.



Which combination describes the effect on domestic supply of and demand for the good in country R after the imposition of the tariff?

	demand	domestic supply
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

27 The graph shows the change in the current account of Belgium's balance of payments from 2016 to 2017.



What will be the **most** likely impact of the change shown by the graph on Belgium's domestic economy?

A a fall in the rate of economic growth

B a fall in the foreign currency reserves

C a fall in the number of unemployed

D a fall in the rate of inflation

28 What is an example of the use of monetary policy?

A a cut in the rate of corporation tax

B a reduction in interest rates

C a switch from direct to indirect taxation

D the introduction of maximum price controls to reduce inflation

29 Which policy would be likely to increase inflation?

A an increase in income tax

B an increase in interest rates

C limiting the amount banks can lend

D raising the level of import tariffs

30 What are the components of aggregate demand?

A consumption + investment + government spending + (exports – imports)

B consumption + investment + taxation – (exports – imports)

C consumption + saving + taxation – (exports – imports)

D consumption + saving + taxation + (exports – imports)

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